

**Translation of consolidated financial statements originally issued in Spanish - Note 29**

**Intercorp Financial Services Inc. (formerly Intergroup Financial Services Corp.)  
and Subsidiaries**

**Consolidated financial statements as of September 30, 2013 (unaudited) and  
December 31, 2012 (audited) and for the nine-month periods ended  
September 30, 2013 and 2012**

## **Intercorp Financial Services Inc. and Subsidiaries**

**Consolidated financial statements as of September 30, 2013 (unaudited) and December 31, 2012 (audited) and for the nine-month periods ended September 30, 2013 and 2012**

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**Consolidated statements of financial position**

As of September 30, 2013 (unaudited) and December 31, 2012 (audited)

	Note	2013 S/.(000)	2012 S/.(000)		Note	2013 S/.(000)	2012 S/.(000)
<b>Assets</b>				<b>Liabilities and equity</b>			
Cash and due from banks	5			Deposits and obligations	12	18,755,167	14,428,728
Cash and clearing		1,409,981	1,509,272	Inter-bank funds		239,252	9,310
Deposits in the Peruvian Central Bank		4,583,896	3,543,296	Deposits from financial entities		198,869	133,342
Deposits in domestic and foreign banks		769,578	264,324	Due to banks and correspondents	13	2,610,054	2,713,547
Restricted funds		193,431	80,131	Accounts payable, provisions and other liabilities	11	887,266	773,424
		<u>6,956,886</u>	<u>5,397,023</u>	Deferred income tax liability, net		647	1,588
				Bonds and other obligations	14	3,397,732	3,177,073
				Technical reserves for premiums and claims	15	2,918,146	2,455,955
				<b>Total liabilities</b>		<u>29,007,133</u>	<u>23,692,967</u>
				<b>Equity</b>	16		
Inter-bank funds		25,003	192,026	Equity attributable to IFS			
Investments at fair value through profit or loss and investments available-for-sale, net	6	2,877,030	3,119,988	Capital stock		799,581	799,581
Loan portfolio, net	9	18,006,226	15,058,413	Capital surplus		268,077	268,077
Held-to-maturity investments, net	7	2,077,242	1,040,316	Treasury stock		(221,519)	(205,225)
Real estate investment, net	8	390,899	419,626	Unrealized results, net		10,928	207,261
Investment in associates, net		33,940	32,100	Retained earnings		1,976,308	1,821,212
Property, furniture and equipment, net	10	435,432	448,532			<u>2,833,375</u>	<u>2,890,906</u>
Accounts receivable and other assets, net	11	989,448	861,650	Minority interest		18,048	17,124
Deferred Income Tax asset, net		66,449	31,323			<u>2,851,423</u>	<u>2,908,030</u>
		<u>31,858,556</u>	<u>26,600,997</u>	<b>Total equity</b>		<u>2,851,423</u>	<u>2,908,030</u>
<b>Total assets</b>		<u>31,858,556</u>	<u>26,600,997</u>	<b>Total liabilities and equity</b>		<u>31,858,556</u>	<u>26,600,997</u>
<b>Off-balance sheet accounts</b>	18			<b>Off-balance sheet accounts</b>	18		
Contingent assets		15,860,453	14,872,922	Contingent assets		15,860,453	14,872,922
Other off-balance sheet assets accounts		53,713,959	44,636,791	Other off-balance sheet assets accounts		53,713,959	44,636,791
		<u>69,574,412</u>	<u>59,509,713</u>			<u>69,574,412</u>	<u>59,509,713</u>

The accompanying notes are an integral part of these consolidated balance sheets.

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of income

For the nine-month periods ended September 30, 2013 and 2012 (unaudited)

	Note	2013 S/.(000)	2012 S/.(000)
Financial income	19	1,911,627	1,791,132
Financial expense	19	(434,818)	(375,800)
<b>Gross financial margin</b>		<b>1,476,809</b>	<b>1,415,332</b>
Provision for loan losses, net of recoveries	9(c)	(272,817)	(291,562)
<b>Net financial margin</b>		<b>1,203,992</b>	<b>1,123,770</b>
Fee income from financial services	20	236,943	278,110
Expenses relating to financial services	20	(68,566)	(82,559)
Result from insurance underwriting, net	21	(52,748)	(62,892)
<b>Operating margin</b>		<b>1,319,621</b>	<b>1,256,429</b>
Result from financial transactions	22	305,839	317,650
<b>Net financial margin</b>		<b>1,625,460</b>	<b>1,574,079</b>
Administrative expenses	23(a)	(860,563)	(795,643)
Depreciation and Amortization	10(a)	(79,715)	(75,071)
<b>Net operating margin</b>		<b>685,182</b>	<b>703,365</b>
Valuation of assets and provisions		(6,980)	(11,689)
<b>Operating income</b>		<b>678,202</b>	<b>691,676</b>
Other income, net	24	27,376	22,291
<b>Income before tax</b>		<b>705,578</b>	<b>713,967</b>
Income Tax		(184,066)	(149,631)
<b>Net income</b>		<b>521,512</b>	<b>564,336</b>
<b>Attributable to:</b>			
IFS's equity shareholders		517,932	560,980
Minority interest		3,580	3,356
		521,512	564,336
<b>Basic and diluted earnings per share attributable to IFS (stated in Nuevos Soles)</b>	25	<b>5.721</b>	<b>6.206</b>
<b>Weighted average number of outstanding shares (in thousand)</b>	25	<b>90,531</b>	<b>90,393</b>

The accompanying notes are an integral part of these consolidated statements.

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of comprehensive income

For the nine-month periods ended September 30, 2013 and 2012 (unaudited)

	2013 S/.(000)	2012 S/.(000)
<b>Net income</b>	<b>521,512</b>	<b>564,336</b>
<b>Unrealized gains</b>		
Valuation of derivate financial instrument	(9,191)	4,342
Valuation of available-for-sale investments	(244,963)	129,505
Valuation of treasury stock	56,458	(54,746)
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>323,816</b>	<b>643,437</b>
	<hr/>	<hr/>
<b>Attributable to:</b>		
IFS's shareholders	321,599	639,614
Minority interest	2,217	3,823
	<hr/>	<hr/>
	<b>323,816</b>	<b>643,437</b>
	<hr/>	<hr/>

The accompanying notes are an integral part of these consolidated statements.

**Intercorp Financial Services Inc. and Subsidiaries**

**Consolidated statements of changes in shareholders' equity**

For the nine-month periods ended September 30, 2013 and 2012 (unaudited)

	Number of shares (in thousand)		Attributable to IFS's equity holders						Minority interest S/.(000)	Total shareholder's equity S/.(000)
	Issued	In treasury	Capital stock S/.(000)	Treasury stock S/.(000)	Capital surplus S/.(000)	Unrealized gains S/.(000)	Retained earnings S/.(000)	Total S/.(000)		
<b>Balance as of January 1, 2012</b>	<b>93,615</b>	<b>(3,092)</b>	<b>799,581</b>	<b>(214,996)</b>	<b>268,077</b>	<b>22,833</b>	<b>1,483,832</b>	<b>2,359,327</b>	<b>13,868</b>	<b>2,373,195</b>
<b>Comprehensive income</b>										
Net income	-	-	-	-	-	-	560,980	560,980	3,356	564,336
<b>Unrealized gains</b>										
Net variation of available-for-sale investments of the Company and Subsidiaries	-	-	-	-	-	128,741	-	128,741	764	129,505
Net variation of derivate financial instruments	-	-	-	-	-	4,316	-	4,316	26	4,342
Net variation of treasury stock held by subsidiary	-	-	-	-	-	(54,423)	-	(54,423)	(323)	(54,746)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,634</b>	<b>560,980</b>	<b>639,614</b>	<b>3,823</b>	<b>643,437</b>
Net variation of treasury stock held by subsidiary, note 16(b)	-	(127)	-	(2,462)	-	-	12,821	10,359	-	10,359
Declared and paid dividends	-	-	-	-	-	-	(373,632)	(373,632)	-	(373,632)
Other	-	-	-	-	-	-	(7,523)	(7,523)	(1,566)	(9,089)
<b>Balance as of September 30, 2012</b>	<b>93,615</b>	<b>(3,219)</b>	<b>799,581</b>	<b>(217,458)</b>	<b>268,077</b>	<b>101,467</b>	<b>1,676,478</b>	<b>2,628,145</b>	<b>16,125</b>	<b>2,644,270</b>
<b>Balance as of January 1, 2013</b>	<b>93,615</b>	<b>(3,115)</b>	<b>799,581</b>	<b>(205,225)</b>	<b>268,077</b>	<b>207,261</b>	<b>1,821,212</b>	<b>2,890,906</b>	<b>17,124</b>	<b>2,908,030</b>
<b>Comprehensive income</b>										
Net income	-	-	-	-	-	-	517,932	517,932	3,580	521,512
<b>Unrealized gains</b>										
Net variation of available-for-sale investments of the Company and Subsidiaries	-	-	-	-	-	(243,273)	15,542	(227,731)	(1,690)	(229,421)
Net variation of derivate financial instruments	-	-	-	-	-	(9,128)	-	(9,128)	(63)	(9,191)
Net variation of treasury stock held by subsidiary, note 16(b)	-	-	-	-	-	56,068	-	56,068	390	56,458
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(196,333)</b>	<b>533,474</b>	<b>337,141</b>	<b>2,217</b>	<b>339,358</b>
Net variation of treasury stock held by subsidiary	-	28	-	(16,294)	-	-	12,954	(3,340)	-	(3,340)
Declared and paid dividends	-	-	-	-	-	-	(391,935)	(391,935)	-	(391,935)
Other	-	-	-	-	-	-	603	603	(1,293)	(690)
<b>Balance as of September 30, 2013</b>	<b>93,615</b>	<b>(3,087)</b>	<b>799,581</b>	<b>(221,519)</b>	<b>268,077</b>	<b>10,928</b>	<b>1,976,308</b>	<b>2,833,375</b>	<b>18,048</b>	<b>2,851,423</b>

The accompanying notes are an integral part of these consolidated statements.

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of cash flows

For the nine-month periods ended September 30, 2013 and 2012 (unaudited)

	<b>2013</b>	<b>2012</b>
	\$/.(000)	\$/.(000)
<b>Reconciliation of net income with cash provided by operating activities</b>		
Net income	521,512	564,336
<b>Adjustments to net income</b>		
<b>Add (less)</b>		
Provision for loan losses, net of recoveries	272,817	291,562
Depreciation and amortization	79,715	75,071
(Gain) from valuation of investments, net	(53,728)	(49,106)
Other, net	(11,908)	(14,709)
<b>Net changes in asset and liability accounts</b>		
(Increase) decrease in restricted funds	(113,300)	2,371
Increase in receivable accounts, net	(18,857)	(24,939)
(Decrease) increase in payable interest	(6,275)	52,404
Net Increase in other assets	(163,748)	(70,117)
Net increase in other liabilities	113,842	104,977
Increase in technical reserves	462,191	224,084
	<u>1,082,261</u>	<u>1,155,934</u>
<b>Net cash provided by operating activities</b>	<u>1,082,261</u>	<u>1,155,934</u>

## Consolidated statements of cash flow (continued)

	2013 S/.(000)	2012 S/.(000)
<b>Cash flows provided by (used in) investing activities</b>		
Purchase of property, furniture and equipment	(41,808)	(57,813)
(Increase) decrease in investments (trading, available-for-sale and held-to-maturity)	(927,938)	633,867
Net decrease in real estate investments	28,727	53,535
Collection of dividends, net of increase investments in associates	7,871	14,714
Sale of assets received as payment and seized through legal actions	747	8,482
Purchase of intangibles	(24,730)	(28,614)
<b>Net cash provided by (used in) investing activities</b>	<u>(957,131)</u>	<u>624,171</u>
<b>Cash flows from financing activities</b>		
Net increase in loan portfolio	(3,197,603)	(1,153,956)
Net increase in deposits and obligations	4,322,937	1,551,804
Net increase in deposits from financial entities	65,527	23,970
Net decrease (increase) in due to banks and correspondents	(102,978)	611,311
Net increase in bonds and other obligations outstanding	229,921	576,450
Net decrease (increase) in receivable inter-bank funds	167,023	(50,608)
Increase in payable inter-bank funds	229,942	28,010
Payment of dividends to minority shareholders	(1,401)	-
Payment of dividends	(391,935)	(373,632)
<b>Net cash provided by financing activities</b>	<u>1,321,433</u>	<u>1,213,349</u>
Net cash increase	1,446,563	2,993,454
Balance of cash at the beginning of year	<u>5,316,892</u>	<u>2,397,766</u>
<b>Balance of cash at end of year</b>	<u>6,763,455</u>	<u>5,391,220</u>

The accompanying notes are an integral part of these consolidated statements.



## Intercorp Financial Services Inc. and Subsidiaries

### Notes to the consolidated financial statements

As of September 30, 2013 (unaudited) and December 31, 2012 (audited)

#### 1. Business activity

Intercorp Financial Services Inc. formerly Intergroup Financial Services Corp. (henceforth "IFS" or "the Company") is a limited liability holding corporation incorporated in the Republic of Panama on September 19, 2006, as the result of the restructuring of its shareholder Intercorp Perú Ltd. formerly IFH Peru Ltd., (henceforth "Intercorp Perú", a holding corporation incorporated in 1997, in The Bahamas), which was performed during 2007. As of September 30, 2013, Intercorp Perú directly and indirectly holds 68.93 percent of IFS's issued capital stock and 71.28 percent of IFS's shares representative of its outstanding capital stock. The ownership of Intercorp Peru and its subsidiaries, corresponds to 72.58 percent of IFS's issued capital stock, equivalent to 71.64 percent of its outstanding capital stock. (As of December 31, 2012, ownership of Intercorp Ltd. and subsidiaries was 68.93 percent and 71.31 percent of issued and outstanding capital stock, respectively).

IFS's legal domicile is 50 Street and 74 Street, ST Georges Bank Building, Republic of Panama. Its Management and administrative offices are located at Av. Carlos Villaran 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

As of September 30, 2013 and December 31, 2012, IFS holds 99.29 percent and 100 percent of the capital stock of Banco Internacional del Peru S.A.A. - Interbank (henceforth "the Bank") and of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), respectively. IFS and its Subsidiaries operations are concentrated in Peru. Their main activities and balances of assets, liabilities and equity are described in Note 2.

The consolidated financial statements as of September 30, 2013 have been approved by the Board of Directors held on October 29, 2013.

The audited consolidated financial statements as of December 31, 2012 have been approved by General Shareholders' Meeting held on April 08, 2013.

#### 2. Subsidiaries' activities

The detail and business activities of IFS Subsidiaries are described below:

- (a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -  
The Bank is incorporated in Peru and is authorized by the SBS, to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the General Act of the Financial and Insurance System and the Organic Act of the SBS- Act 26702 (henceforth the "Banking and Insurance Act") that establishes the requirements, rights, obligations, guarantees, restrictions and other operation conditions that financial and insurance entities must comply with.

## Notes to the consolidated financial statements (continued)

As of September 30, 2013, the Bank has 268 offices and a branch located in Panama (262 offices and a branch located in Panama as of December 31, 2012). Additionally, Interbank fully owns the following subsidiaries:

<b>Subsidiary</b>	<b>Activity</b>
Interfondos S.A. Sociedad Administradora de Fondos	As of September 30, 2013 and December 31, 2012, manages mutual funds and investment funds with equity book values of approximately S/.2,491 million and S/.2,840 million, respectively.
Internacional de Títulos Sociedad Tituladora S.A. – Intertítulos S.T.	As of September 30, 2013 and December 31, 2012, manages securitization funds with combined assets of approximately S/.4,525 million and S/.2,732 million, respectively.

As of September 30, 2013, Interbank additionally owns four subsidiaries which operate in the real state and services sector, these subsidiaries are Inversiones Huancavelica S.A., Contacto Servicios Integrales de Créditos y Cobranzas S.A., Corporación Inmobiliaria de la Unión 600 S.A. and Compañía de Servicios Conexos S.A – Expressnet.

- (b) **Interseguro Compañía de Seguros S.A. and Subsidiaries –**  
 Interseguro was incorporated in Peru and began its operations in 1998 and is authorized by the SBS to offer life insurance products, annuities and others as authorized by Peruvian law, such as accident insurance. Interseguro's operations are governed by the Banking and Insurance Act. Likewise, during 2008 Interseguro obtained approval to operate as an insurance company which conducts both classes: life insurance risks and general risks.

As of September 30, 2013 and December 31, 2012, Interseguro owns the following subsidiaries:

<b>Subsidiary</b>	<b>Activity</b>
Centro Comercial Estación Central S.A.	Began operations in March 2010 and is dedicated to the administration of the mall called "Centro Comercial Estación Central" located in Lima downtown. As of September 30, 2013 and December 31, 2012, Interseguro holds 75 percent of its shares, and the remaining 25 percent belongs to Real Plaza S.A.
Patrimonio en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú – Interseguro	A special purposes entity, see paragraph (d) below.

In July 2012, Interseguro exchanged the shares of the Subsidiaries it held –as detailed below– for shares of InRetail Perú Corp., a related company, which accounted for 0.12 percent of its capital stock. These shares were recorded as available-for-sale investments; see Note 6:

## Notes to the consolidated financial statements (continued)

Subsidiary	Activity
Real Plaza S.A.	An entity engaged to the management of fourteen shopping centers named "Centro Comercial Real Plaza", located in the cities of Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca and several districts in the city of Lima.
InRetail Properties Management S.R.L., formerly Interproperties Perú S.A.	An entity engaged in activities related to the real estate business and construction industry.
(c) AFP Interactiva S.A. -	
	Through Resolution SBS N°8965-2012, dated on November 30, 2012, the SBS authorized the constitution of AFP Interactiva S.A. as a pension fund administrator. As of September 30, 2013 and December 31, 2012, the capital contribution made by the Company amounted to S/.2,600,000. As of September 30, 2013, this Subsidiary has not yet started its operations.
(d) Patrimonio en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú –	
	On April 23, 2008, this Equity Fund was constituted with the contribution of several assets from different companies of Intercorp Group. Its purpose was to create a legally independent entity to each investor that acts as originator, and through which the diverse projects approved by its Administration Committee can be structured, executed and developed, and in which said originators or trustees, being the case, can perform investments in real estate projects.

The companies that consolidate financial information with IFS and contributed assets to the Equity Fund are:

(i) Corporación Inmobiliaria de La Unión 600 S.A., a subsidiary of the Bank, and (ii) Interseguro Compañía de Seguros S.A. IFS has also contributed assets directly to the Fund; however, during 2011, the real estate investments held by the Subsidiaries of Intercorp Group were reorganized with the purpose of presenting a more organized structure and posteriorly issuing debt backed by said investments that allow it to continue the development of real estate projects. As part of this reorganization, the following operations were performed:

- In September 2011, Interproperties Holding was constituted with the contributions of real estate investments managed by Interproperties Perú from: Corporación Inmobiliaria de La Unión 600 S.A. and IFS. Due to this transaction, Corporación Inmobiliaria de La Unión 600 S.A. and IFS generated earnings of approximately S/.3,020,000 and S/.2,241,000, respectively, which were recorded in the "Financial income" caption in the consolidated statements of income.
- In November 2011, Interseguro sold at market values part of its real estate investments managed by Interproperties Perú to Interproperties Holding, generating earnings of approximately S/.80,059,000, which was recorded in the "Financial income" caption in the consolidated statements of income.
- During 2012, Interseguro sold at market values additional real estate investments managed by Interproperties Perú to Interproperties Holding, generating earnings of approximately S/.98,450,000, which was recorded in the "Financial income" caption in the consolidated statements of income.

## Notes to the consolidated financial statements (continued)

In accordance with the applicable accounting principles, Interproperties Peru is a Special Purpose Entity (SPE) which must be consolidated by IFS. As of September 30, 2013 and as of December 31, 2012, Interseguro maintains assets contributed to these SPEs. The assets contributed by this subsidiary are included in the accompanying consolidated financial statements in the caption "Real estate investment, net". See Note 8.

- (e) The table below shows a summary of the separate financial statements of the Bank, Interseguro, the SPE (for the amounts that affect Interseguro) and AFP Interactiva S.A. before consolidation adjustments with IFS, as of September 30, 2013 and December 31, 2012 and for the nine-month periods ended September 30, 2013 and 2012:

	Banco Internacional del Perú S.A.A. – Interbank		Interseguro Compañía de Seguros S.A.		AFP Interactiva S.A.	
	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)	2013 S/.(000)	2012 S/.(000)
Total assets	28,529,649	23,539,323	3,401,892	3,103,122	2,600	2,600
Total liabilities	26,041,700	21,164,931	3,007,566	2,566,519	-	-
Shareholders' equity, net	2,487,949	2,374,392	394,326	536,603	2,600	2,600
Net income	489,957	444,663	79,838	167,717	-	-

### 3) Accounting principles and practices and balance as of September 30, 2012

#### 3.1) Accounting principles and practices

In the preparation and presentation of the accompanying consolidated financial statements, Management of the Company and its Subsidiaries has complied with the SBS standards in force in Peru as of September 30, 2013 and December 31, 2012, for both financial entities – IFS, the Bank and its Subsidiaries – and insurance entities – Interseguro and its Subsidiaries. The accounting principles and practices as of September 30, 2013, have not been modified from those applied as of December 31, 2012 and which are summarized in the audited report dated March 8, 2013, except for the changes explained in the following paragraphs.

Within the framework of harmonization of the accounting standards prescribed by the SBS with the International Financial Reporting Standards (IFRS), SBS has modified the accounting standards applicable to companies in the financial and/or insurance systems, as detailed below:

#### a) Main changes applicable to companies in the financial system:

##### a.1) Classification and valuation of investments

SBS Resolution No. 7033-2012 establishes that companies shall have a standardized methodology for the identification of impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments.

##### a.2) Property, furniture and equipment

SBS Resolution No. 7036-2012, establishes that (i) depreciation can be performed by separate components; (ii) only the cost model is allowed; and (iii) leased properties under contractual terms longer than one year must comply with the guidelines of IAS 16 "Property, plant and equipment".

## Notes to the consolidated financial statements (continued)

a.3) Fees on indirect loans

SBS Resolution No. 7036-2012, dated September 19, 2012, establishes that fees on indirect loans granted since 2013 will accrue during the term of the loan contract.

a.4) Financial income and expenses

They shall be presented separately from other income or expenses from treasury operations, which shall be grouped in the "Result of financial operations" caption in the statements of income.

The implementation of the regulations described in (a.1) and (a.2) has not had any impact on the accompanying financial statements, while those detailed in a.3) have entered into force since June 2013, by virtue of a deadline extension granted by SBS and have not had significant impact on the accompanying financial statements.

Regarding the amendment described in a.4), SBS has required its prospective application starting on January 1, 2013. In that sense, it was included by the Bank in its financial statements as of September 30, 2013, which are part of the accompanying consolidated financial statements.

b) Main changes applicable to companies in the insurance system:

b.1) Real estate investments

SBS Resolution No. 7034-2012 establishes that the initial measurement of real estate investments shall be recorded at the fair value corresponding to the transaction price. The Company can choose between two options to perform the subsequent measurement: the cost model or the fair value model. In case the latter is chosen, the methodology to be applied for said valuation must be authorized in advance by the SBS.

b.2) Accounts receivable

SBS Resolution No. 7037-2012 establishes that accounts receivable from insurance contracts for non-collected premiums longer than sixty (60) and ninety (90) days, shall be provisioned by applying a coefficient of fifty (50) and one hundred (100) percent, respectively. Likewise, premiums claimed through judiciary processes shall be provisioned individually in function of the particular circumstances of each case.

To the date of this report, Interseguro is assessing the impact of the implementation of both regulations.

In accordance with SBS's dispositions, the initial balances for the year 2013 of the companies in the financial system and the insurance system must be adjusted to the new accounting measures, and said effect must be accounted for in the retained earnings accounts, in January 2013, with the exception of the new criteria for the recognition of fees on indirect loans a.3), which have been applied for the contracts subscribed since June 2013.

## Notes to the consolidated financial statements (continued)

### 3.2) Balances as of September 30, 2012

Since changes described in 3.1) have been accomplished by the Bank starting January 1, 2013, for comparative purposes, it has been necessary to reformulate the consolidated statements of income as of September 30, 2012. Summarized impact, is detailed below:

Consolidated statements of income In thousands S/.	30-sep-12		
	Original	Reformulated	Variation
Gross financial margin	1,565,364	1,415,332	150,032
Net financial margin	1,214,745	1,123,770	90,975
Income before tax	713,967	713,967	-
Consolidated net income	564,336	564,336	-

### 3.3) Changes in Financial Statements

In accordance with SBS´ dispositions issued through SBS No 7036-2012 and 7037-2012, some financial statements were recalled starting January 1, 2013, as it is shown below.

- "Balance Sheets Statement", has been modified to "Statement of Financial Position".
- "Statements of Income" has been modified to "Statement of Comprehensive Income", which includes net income of the period plus unrealized Gains of the period.

## Notes to the consolidated financial statements (continued)

### 4. Transactions in foreign currency and exchange risk exposure

Transactions in foreign currency are carried out using exchange rates prevailing in the market.

As of September 30, 2013, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/.2.781 per US\$1.00 bid and S/.2.782 per US\$1.00 ask (S/.2.549 bid and S/.2.551 ask, as of December 31, 2012 respectively). As of September 30, 2013, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/.2.782 per US\$1.00 (S/.2.550 as of December 31, 2012).

The table below presents a detail of IFS and its Subsidiaries foreign currency assets and liabilities, stated in US Dollars:

	2013 US\$(000)	2012 US\$(000)
<b>Assets</b>		
Cash and due from banks	1,849,159	1,081,296
Inter-bank funds	-	54,511
Investments at fair value through profit or loss and investments available-for-sale, net	974,106	744,212
Loan portfolio, net	2,699,663	2,656,214
Accounts receivable and other assets	74,269	64,667
	<u>5,597,197</u>	<u>4,600,900</u>
<b>Liabilities</b>		
Deposits and obligations	2,920,741	2,224,827
Inter-bank funds	86,000	3,651
Deposits from financial entities	51,863	25,683
Due to banks and correspondents	698,765	734,361
Bonds and other obligations	932,019	1,087,122
Accounts payable, provisions and other liabilities	93,629	90,059
Technical reserves for premiums and claims	588,803	590,895
	<u>5,371,820</u>	<u>4,756,598</u>
<b>Forwards transactions - net position</b>	(142,539)	29,548
<b>Currency swap transactions - net position</b>	(51,470)	(42,763)
	<u>31,368</u>	<u>(168,913)</u>
<b>Net position</b>	<u>31,368</u>	<u>(168,913)</u>

As of September 30, 2013, the net long position from forwards transactions corresponds to foreign currency forward purchase and sale contracts for notional amounts of approximately US\$850,941,000 and US\$993,480,000 (at face value), equivalent to S/.2,367,515,000 and S/.2,763,861,000, respectively (purchase and sale contracts of US\$975,382,000 and US\$945,834,000 as of December 31, 2012, equivalent to S/.2,487,224,000 and S/.2,411,876,000, respectively); see Note 18.

## Notes to the consolidated financial statements (continued)

As of September 30, 2013, the net position in derivatives related to currency swap agreements corresponds to foreign currency exchange operations (Nuevos Soles exchanged for US Dollars and vice versa) with notional amounts of approximately US\$166,993,000 and US\$218,463,000, equivalent to S/.464,575,000 and S/.607,764,000 respectively (exchange operations with face value amounts of approximately US\$ 79,617,000 and US\$ 122,380,000, equivalent to S/.203,024,000 and S/.312,070,000, respectively, as of December 31, 2012); see Note 18.

As of September 30, 2013, IFS and its Subsidiaries have granted indirect loans (contingent operations), in foreign currency for approximately US\$814,810,000, equivalent to S/.2,266,801,000 (US\$836,164,000, equivalent to S/.2,132,218,000 as of December 31, 2012), see Note 18; those balances are not part of the exchange position indicated previously.

### 5. Cash and due from banks

As of September 30, 2013, cash and due from banks includes approximately US\$ 1,521,254,000 and S/.1,456,360,000 (US\$940,937,000 and S/.1,651,874,000 as of December 31, 2012), which represents the legal reserve that the Bank must establish for some of its obligations. These funds are kept in the Bank's vaults and in the Central Reserve Bank of Peru (henceforth "BCRP" by its Spanish acronym). The Bank maintains such legal reserve within the limits required by prevailing regulations.

The legal reserve maintained by the Bank at the BCRP does not accrue interests, except for the part that exceeds the minimum reserve required in foreign and local currency. As of September 30, 2013, the monthly amount by which foreign currency deposits exceeded the minimum legal reserve requirements was approximately US\$165,547,000, equivalent to S/.460,552,000, and accrued interest at an annual average rate of 0.05 percent (US\$263,045,000, equivalent to S/.670,765,000, with an annual average interest rate of 0.11 percent as of December 31, 2012). The exceeding amount in local currency was approximately S/.227,551,000, and accrued interest at an annual average rate of 1.50 percent (S/.68,122,000 at an annual average rate of 1.70 percent as of December 31, 2012).

Deposits in domestic and foreign banks are denominated in Nuevos Soles and US Dollars. All amounts are unrestricted and earn interests at market rates.

As of September 30, 2013 and December 31, 2012, this caption includes restricted funds for approximately S/.192,927,000 and S/.80,131,000, respectively, which corresponds, mainly to requirements from counterparties of derivative transactions.



## Notes to the consolidated financial statements (continued)

### 6. Investments at fair value through profit or loss and investments available-for-sale, net

(a) This caption includes the following:

	2013	2012
	S/.(000)	S/.(000)
<b>Investment at fair value through profit and loss - (Trading)</b>		
Negotiable bank certificates issued by Peruvian Central Bank	20,952	-
Corporate bonds	24,555	24,871
Investment in shares quoted on the Lima Stock Exchange	15,041	3,875
Peruvian sovereign bonds	10,506	32,918
	<u>71,054</u>	<u>61,664</u>
<b>Available-for-sale investments</b>		
Negotiable bank certificates in local currency issued by Peruvian Central Bank (d)	771,946	628,999
Negotiable bank indexed certificates issued by Peruvian Central Bank (i)	464,576	-
Financial and corporate bonds (b)	547,390	1,137,627
Peruvian and foreign private sector shares (e)	217,624	187,778
Mutual and investment funds participations (g)	153,620	128,381
Bonds issued by International Financial Organizations	52,812	64,294
Peruvian Sovereign and Global Bonds (c)	361,338	235,018
InRetail Perú Corp's shares.(h)	111,653	173,093
Royalty Pharma participations (f)	68,196	401,629
Time deposits	11,422	17,842
Other	28,358	64,110
	<u>2,788,936</u>	<u>3,038,771</u>
<b>Add - Accrued interest on investments</b>	<u>17,040</u>	<u>19,553</u>
<b>Total</b>	<u>2,877,030</u>	<u>3,119,988</u>

(b) As of September 30, 2013 and December 31, 2012, corresponds to corporate bonds and financial institutions bonds which have risk ratings granted by Apoyo & Asociados Internacionales S.A.C., Class & Asociados S.A. Clasificadora de Riesgo for investments traded in Peru and Pacific Credit Rating (PCR), while the investments traded abroad have been rated by Moody's and Standard & Poor's:

## Notes to the consolidated financial statements (continued)

- (c) As of September 30, 2013 and December 31, 2012, Peruvian Sovereign Bonds are denominated in Nuevos Soles and U.S. dollars, have maturities between February 2018 and August 2046 (between November 2016 and February 2042, as of December 31, 2012) and accrue interests at effective annual rates between 1.93 and 6.64 percent in Nuevos Soles (between 4.09 and 6.40 percent as of December 31, 2012).
- (d) Negotiable Bank Certificates issued by the BCRP (CDN-BCRP) are denominated in Nuevos Soles. As of September 30, 2013, the maturity of said certificates ranges between October 2013 and July 2014 (between January and December 2013 as of December 31, 2012), and accrue effective annual interest rates between 3.88 and 3.94 percent (3.66 and 4.02 percent as of December 31, 2012).

During 2013 and 2012, the interest accrued on CDN-BCRP amounted to approximately S/.22,510,000 and S/.44,157,000, respectively, and is included in the "Financial income" caption of the consolidated statements of income, see Note 19.

- (e) Correspond mainly to private sector companies, recorded to their market value according to the Lima Stock Exchange.
- (f) Royalty Pharma is an investment fund domiciled in the Republic of Ireland and it is dedicated to investing in royalty rights on medical and biotechnological patents; its participations are not liquid and require authorization to be traded.

During 2013, IFS and its Subsidiaries sold 359,312 participations of Royalty Pharma Select (RPS) and 1,641,276 participations of Royalty Pharma Investment (RPI), at market value, while gains amounted to S/.112,183,000, which is included in "Financial Income, net" caption of the consolidated statements of income.

On the other hand, during 2013, IFS and its Subsidiaries received dividends from these participations that amounted to approximately S/.8,044,000, which is recorded in the "Result of financial operations" caption in the consolidated statements of income.

As of September 30, 2013, Interseguro holds 54,978 and 251,286 participations in Royalty Pharma Select (RPS) and Royalty Pharma Investment (RPI), respectively with market value amounting to US\$ 24,513,000 (equivalent to S/.68,196,000).

The estimated market value of the participations as of September 30, 2013 and December 31, 2012 has been determined by IFS and its Subsidiaries on the basis of the Net Asset Value (NAV) provided by the Fund's administrators which is reviewed by IFS's Management, which has concluded that it is a reasonable estimation of the market value.

- (g) As of September 30, 2013 and December 31, 2012, corresponds to participations in local and foreign investment funds recorded at their quoted value as of the end of the month, which Management estimates is a reasonable estimation of their market value.

## Notes to the consolidated financial statements (continued)

- (h) As of September 30, 2013, corresponds to 2,396,920 shares issued by InRetail Perú Corp., a related entity (3,240,077 shares as of December 31, 2012) with market value amounting to approximately S/.111,653,000 (S/.173,093,000 as of December 31, 2012).
- (i) Indexed Bank Certificates were issued by the Central Bank of Peru and are denominated in nuevos soles. These certificates are adjusted as the exchange rate of the USDollar changes. As of September 30, 2013 these certificates have maturities in October 2013.
- As of September 30, 2013, interest accrued on these certificates amounted to approximately S/. 252,000 which was recorded in the "Financial Income" caption in the consolidated statement of income.
- (j) As of September 30, 2013 and December 31, 2012, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates according to the respective risk rating.
- (k) As of September 30, 2013 and December 31, 2012, available-for- sale investments include unrealized gains for S/.40,104 and S/.227,310, respectively.

### 7. Held-to-maturity investments, net

- (a) This item comprises the following:

	2013	2012
	S/.(000)	S/.(000)
Corporate and financial bonds (b)	1,497,624	655,601
Sovereign bonds (c)	577,071	382,315
Investment in real estate projects	2,547	2,400
	<u>2,077,242</u>	<u>1,040,316</u>

- (b) The table below shows the balance corresponding to corporate and financial bonds, domestic and foreign, held by Interseguro, according to their risk rating:

	2013	2012
	S/.(000)	S/.(000)
<b>Instruments issued by local companies</b>		
<b>Instruments rated in Peru</b>		
AAA	652,164	325,815
AA- a AA+	143,975	32,017
A- a A+	34,691	-
BBB- a BBB+	135,039	120,581
<b>Instruments issued by foreign entities</b>		
<b>Foreign classification</b>		
AA- a AA+	22,791	-
A- a A+	79,143	27,319
BBB- a BBB+	429,821	149,869
	<u>1,497,624</u>	<u>655,601</u>

## Notes to the consolidated financial statements (continued)

(c) The table below shows the balance corresponding to sovereign bonds held by Interseguro:

	2013	2012
	S/.(000)	S/.(000)
Peruvian sovereign bonds	314,596	144,933
Bonds guaranteed by the Peruvian Government (i)	261,647	236,634
Mexican sovereign bonds	828	748
	<u>577,071</u>	<u>382,315</u>

(i) Correspond to debt instruments issued by concessioned companies of the Peruvian State with the purpose of financing public investments and whose payment is guaranteed by the Peruvian State.

### 8. Real estate investment, net

As of September 30, 2013 and December 31, 2012, real estate investments are held mostly by Interseguro and Patrimonio Interproperties and are composed of shopping and entertainment malls located in Lima, Piura and Chiclayo, which are managed by Real Plaza, a related entity. This caption also includes building lots, buildings and works in progress for real estate projects, as explained below:

- (a) Centro Comercial Real Plaza Piura – Located in the city of Piura, began its operations in November 2010 and it mainly comprises a hypermarket, bank zone, retail stores and an entertainment area. Regarding the hypermarket, it has a 30 years contract subscribed with a related entity, which includes a minimum monthly rent and a variable rent in function of sales.  
In January 2013, Interseguro sold this real estate investment to Interproperties Holding, for approximately S/.128,952,000, and kept one part of the land for approximately S/.8,557,000.
- (b) Centro Comercial Real Plaza Chiclayo - Located in the city of Chiclayo, began its operations in November 2005. The building comprises two main areas, for which there are three lease contracts signed for 20 and 30 years, respectively, which provide a minimum monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants.
- (c) Centro Comercial Real Plaza Centro Cívico - Located in the city of Lima, began its operations in December 2009 and it mainly comprises a shopping center, supermarkets, cinema complex, retail stores and an entertainment area. For the first three stores, Interseguro has a lease contract signed for 10 and 20 years with related entities which provides a minimum monthly lease payment as well as a variable payment based on sales.  
Interseguro holds the concession of surface rights on these buildings with the National Pension Funds Administration (“ONP” by its Spanish acronym). The term of this contract is 30 years extendable at maturity and comprises the payment to the ONP of an annual rent over a certain percentage of the gross income obtained from the operations of the mall which shall not be less than US\$ 800,000.
- (d) Management periodically obtains independent appraisals of the Company’s real estate investments. Based on these appraisals, as of September 30, 2013 and December 31, 2012, Management has determined that the book value is lower than the estimated fair value.

## Notes to the consolidated financial statements (continued)

### 9. Loan portfolio, net

(a) The table below presents the components of this caption as of September 30, 2013 and December 31, 2012:

	2013 S/.(000)	2012 S/.(000)
<b>Direct loans</b>		
Loans	12,980,740	10,589,618
Credit cards	2,333,549	1,920,229
Leasing	2,090,006	2,114,453
Discounted notes	430,936	433,437
Factoring	252,440	152,492
Advances and overdrafts	79,184	8,086
Refinanced and restructured loans	118,260	108,294
Past due and under legal collection loans	330,611	291,156
	<u>18,615,726</u>	<u>15,617,765</u>
<b>Add (less)</b>		
Accrued interest from performing loans	158,309	135,282
Deferred interest and interest collected in advance	(13,601)	(11,491)
Allowance for loan losses (c)	(754,208)	(683,143)
	<u>18,006,226</u>	<u>15,058,413</u>
<b>Total direct loans</b>	<u>18,006,226</u>	<u>15,058,413</u>
<b>Indirect loans</b>	<u>3,879,355</u>	<u>3,803,055</u>

As of September 30, 2013 and December 31, 2012, 51 percent of the direct and indirect loan portfolio corresponded to 748 and 850 customers, respectively. Loans were mainly granted to companies established in Peru or to companies whose shareholders have investments mostly in Peru.

(b) As of September 30, 2013 and December 31, 2012, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

Risk category	2013		2012	
	Total		Total	
	S/.(000)	%	S/.(000)	%
Normal	21,176,075	94.1	18,145,278	93.5
With potential problem	527,371	2.3	525,843	2.7
Substandard	207,041	1.0	198,000	1.0
Doubtful	302,698	1.3	316,581	1.6
Loss	281,896	1.3	235,118	1.2
<b>Total</b>	<u>22,495,081</u>	<u>100.0</u>	<u>19,420,820</u>	<u>100.0</u>

## Notes to the consolidated financial statements (continued)

- (c) The changes in the allowance for loan losses (direct and indirect) as of September 30, 2013 and December 31, 2012, were as follows:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
	(*)	(*)
<b>Balance at the beginning of the year</b>	743,081	645,876
Provision recognized as year expense (includes pro-cyclical provisions)	328,665	482,791
Prior years provision recoveries	(55,848)	(74,534)
Write-offs and sales	(294,888)	(382,911)
Recovery	74,753	80,342
Allowance for loan acquired	-	237
Exchange result, net	<u>15,432</u>	<u>(8,720)</u>
<b>Balance at the end of the year</b>	<u>811,195</u>	<u>743,081</u>

- (\*) The allowance for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amounting to approximately S/ .56,987,000 and S/ .59,938,000 as of September 30, 2013 and December 31, 2012, respectively, which are recorded in the "Accounts payable, provisions and other liabilities" caption of the consolidated balance sheets; see Note 11.

- (d) Interest rates on loans are freely determined, based on the rates prevailing in the Peruvian market.
- (e) The table below presents the direct loan portfolio as of September 30, 2013 and December 31, 2012, classified by maturity dates:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Outstanding		
Due within 1 month	1,961,492	1,882,753
From 1 to 3 months	2,200,902	1,846,860
From 3 months to 1 year	4,096,066	3,296,386
From 1 to 5 years	6,663,087	5,493,841
More than 5 years	<u>3,363,568</u>	<u>2,806,769</u>
	18,285,115	15,326,609
Past due loans	227,320	214,934
Loans in legal collection	<u>103,291</u>	<u>76,222</u>
	<u>18,615,726</u>	<u>15,617,765</u>

Notes to the consolidated financial statements (continued)

10. Property, furniture and equipment, net

(a) The table below presents the movement of this caption as of September 30, 2013 and December 31, 2012:

Description	Land	Buildings and facilities	Furniture and equipment	Vehicles	Leasehold improvements	In-transit equipment and work in progress	Total	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	2013	2012
<b>Cost</b>								
Balance as of January 1	65,730	497,372	419,954	971	79,921	29,356	1,093,304	1,041,825
Additions and transfers	-	5,241	29,582	-	10,564	(3,579)	41,808	76,780
Disposals and write-offs	-	-	(9,089)	-	(65)	-	(9,154)	(25,301)
<b>Balance as of September 30</b>	<b>65,730</b>	<b>502,613</b>	<b>440,447</b>	<b>971</b>	<b>90,420</b>	<b>25,777</b>	<b>1,125,958</b>	<b>1,093,304</b>
<b>Accumulated depreciation</b>								
Balance as of January 1	-	316,178	268,890	865	58,839	-	644,772	597,577
Depreciation for the period	-	11,641	32,180	15	10,261	-	54,097	70,339
Disposals and write-offs	-	-	(8,337)	-	(6)	-	(8,343)	(23,144)
<b>Balance as of September 30</b>	<b>-</b>	<b>327,819</b>	<b>292,733</b>	<b>880</b>	<b>69,094</b>	<b>-</b>	<b>690,526</b>	<b>644,772</b>
<b>Net book value</b>	<b>65,730</b>	<b>174,794</b>	<b>147,714</b>	<b>91</b>	<b>21,326</b>	<b>25,777</b>	<b>435,432</b>	<b>448,532</b>

(b) Financial entities in Peru are prohibited from pledging their fixed assets.

(c) Management periodically reviews the residual values, useful life and the depreciation method to ensure they are consistent with the economic benefits and life expectation for the property, furniture and equipment. In Management's opinion, there is no evidence of impairment of the value in use of property, furniture and equipment as of September 30, 2013 and December 31, 2012.

(d) With SBS authorization, in the prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair values which were determined by an independent appraiser and amounted to approximately S/.61,140,000. As of September 30, 2013 and December 31, 2012 the value of the revaluations, net of their accumulated depreciation, amounts to approximately S/.39,111,000 y S/.40,181,000, respectively.

## Notes to the consolidated financial statements (continued)

### 11. Accounts receivable and other assets, accounts payable, provisions and other liabilities

(a) The table below presents the components of this caption:

	2013 S/.(000)	2012 S/.(000)
<b>Accounts receivable and other assets</b>		
Value added tax credit (b)	251,380	253,590
Accounts receivable related to valuation of derivative financial instruments	150,597	56,915
Investment fund participation (c)	130,722	114,008
Other accounts receivable, net	103,747	143,470
Intangible assets, net	111,815	112,514
Deferred charges	77,788	34,826
Transactions in process (d)	70,554	37,579
Rights paid to related entity (e)	26,289	29,401
Prepaid income tax	21,991	34,343
Accounts receivable for sale of investments (h)	15,863	17,147
Interest premium (f)	4,148	6,585
Rent paid in advance	3,132	5,109
Assets received as payment and seized through legal actions, net	1,169	1,622
Other	20,253	14,541
	<b>989,448</b>	<b>861,650</b>
<b>Accounts payable, provisions and other liabilities -</b>		
Other accounts payable	288,712	266,438
Transactions in process (d)	235,958	204,361
Accounts payable related to valuation of derivative financial instruments	177,056	128,848
Workers' profit sharing, salaries payable and dividends	71,225	61,795
Allowance for contingent loans, note 9(d)	56,987	59,938
Accounts payable for purchase of investments (h)	45,486	39,182
Provision for contingencies (g)	9,459	11,583
Other	2,383	1,279
	<b>887,266</b>	<b>773,424</b>

(b) Corresponds mainly to the Value Added Tax ("IGV" by its Spanish acronym) resulting from the purchase of goods devoted mostly to leasing operations carried out by the Bank, to be recovered through the collection of such lease transactions.

(c) Corresponds to certificates of participation that the Bank holds in an investment fund dedicated to operating leasing transactions. In attention to the nature of the operation, and according to the rules of the SBS, these certificates are recorded at their amortized cost.

(d) Transactions in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets account in the following month. These transactions do not affect the consolidated results as of September 30, 2013 and December 31, 2012.



## Notes to the consolidated financial statements (continued)

- (e) Corresponds mainly, to a contract signed in 2003 between the Bank and Supermercados Peruanos S.A., a related entity. The Bank entered into a 15 year concession agreement with Supermercados Peruanos S.A., to install financial services facilities inside the stores of Supermercados Peruanos S.A. Under this agreement, the Bank paid an amount in foreign currency equivalent to S/.32,323,000 (IGV included) which is being amortized over a 15 year period. In addition, during 2009 the Bank entered into a new concession agreement for new spaces ceded to the Bank in new stores of Supermercados Peruanos S.A., for an amount of approximately S/.16,494,000, which is being amortized during the period of the contract (6 years and 8 months).

As of September 30, 2013 and 2012, the Bank has recorded for such concepts an expense of approximately S/.3,576,000, which is included in the "Administrative expenses" caption in the consolidated statements of income.

- (f) Corresponds to the premium on interests generated by the acquisition of mortgage and consumer portfolios performed by the Bank in September 2007, December 2011 and August 2012, which are amortized by the straight-line method in a period no longer than five years. The final maturities of said portfolios are November 2020 and July 2014, respectively. As of September 30, 2013, it was recognized and expense for the amortization of the premium on interests of approximately S/.2,437,000 (S/.4,881,000 as of September 30, 2012)

- (g) As of September 30, 2013 and December 31, 2012, these amounts include provisions for sundry legal contingencies originated from ongoing lawsuits against the Company and its Subsidiaries owing to the nature of the business. The Company and its Subsidiaries establish provisions for such lawsuits when, in the opinion of Management and its internal legal advisers, it is probable that the liability will be assumed by the Company and its Subsidiaries and the amount can be reliably estimated.

- (h) As of September 30, 2013 corresponds to sales or purchases of investments which are recorded on trading date. These transactions were collected or payed in October 2013.

## Notes to the consolidated financial statements (continued)

### 12. Deposits and obligations

(a) The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Time deposits (d)	7,347,589	5,804,120
Saving deposits	5,230,015	4,340,553
Demand deposits	5,384,782	3,493,120
Restricted obligations with public (*)	745,130	752,883
Other obligations	<u>14,691</u>	<u>8,594</u>
	18,722,207	14,399,270
Interest payable	<u>32,960</u>	<u>29,458</u>
<b>Total</b>	<u>18,755,167</u>	<u>14,428,728</u>

(\*) As of September 30, 2013 and December 31, 2012, corresponds mainly to restricted deposits granted as guarantees by clients, in connection with direct and indirect loans granted by the Bank. Those desposits amounting for approximately S/ .519,070,000 and S/ .547,152,000, respectively.

(b) Interest rates applied over deposits and obligations are determined by the Bank based on interest rates prevailing in the Peruvian market.

(c) As of September 30, 2013 and December 31, 2012, approximately S/ .5,505,164,000 and S/ .5,040,065,000, respectively, of deposits and obligations are covered by the "Deposit Insurance Fund".

(d) The table below shows the balance of time deposits classified by maturity as of September 30, 2013 and December 31, 2012:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Due within 1 month	1,521,461	1,246,320
From 1 to 3 months	595,875	381,653
From 3 months to 1 year	3,980,629	3,188,967
From 1 to 5 years	<u>1,249,624</u>	<u>987,180</u>
	<u>7,347,589</u>	<u>5,804,120</u>

## Notes to the consolidated financial statements (continued)

### 13. Due to banks and correspondents

(a) The table below presents the components of this caption:

	2013 S/.(000)	2012 S/.(000)
<b>By type</b>		
Loans received from foreign entities (b)	1,383,230	1,692,352
Promotional credit lines (c)	<u>1,217,332</u>	<u>1,011,188</u>
	2,600,562	2,703,540
Interest and commissions payable	<u>9,492</u>	<u>10,007</u>
	<u>2,610,054</u>	<u>2,713,547</u>
<b>By term</b>		
Short term	808,360	1,528,875
Long term	<u>1,801,694</u>	<u>1,184,672</u>
<b>Total</b>	<u>2,610,054</u>	<u>2,713,547</u>

(b) As of September 30, 2013 and December 31, 2012, includes the following:

Entity	Country	Final maturity	2013 S/.(000)	2012 S/.(000)
Syndicated loan (c)	Various	2016	548,018	-
BLADEX	Panama	2015	248,711	304,470
Wells Fargo Bank	United States of America	2014	111,280	127,500
Cobank	United States of America	2014	110,655	180,128
Deutsche Bank	Germany	2016	100,275	162,254
China Development Bank	China	2016	83,461	76,500
Corporación Andina de Fomento - CAF	Venezuela	2013	69,550	191,250
Bank of America	United States of America	2013	55,640	102,000
HSBC Bank PLC	United Kingdom	2014	55,640	51,000
Standard Chartered Bank	United Kingdom	2013	-	191,250
JP Morgan Chase - Nueva York	United States of America	2013	-	127,500
Citibank	United States of America	2013	-	102,000
Sumitomo Banking Corporation	Japan	2013	-	76,500
			<u>1,383,230</u>	<u>1,692,352</u>

As of September 30, 2013, transactions with foreign entities bear an effective annual average interest rate of 2.32 (3.16 percent as of December 31, 2012).

Some of the loan agreements include standard clauses required to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, said standard clauses do not limit the normal operation of the Company and its Subsidiaries and have been met in accordance with international standard practices for these transactions.

## Notes to the consolidated financial statements (continued)

- (c) Corresponds to a syndicated loan obtained by the Bank in July 2013 for US\$ 200,000,000. Fifteen foreign financial entities took part in this transaction. Among them, Bank of America (USA) and Citibank N.A. (USA) granted US\$40,000,000 each one. This loan accrues interest at the 6-month Libor rate plus a margin of 1.85 percent with maturity in October 2016.

As of September 30, 2013 this loan is recorded net of issuance costs and capital amortization, equivalent to S/.548,018,000.

- (d) Promotional credit lines represent loans in Nuevos Soles and US Dollars granted by Corporacion Financiera de Desarrollo ("COFIDE" by its Spanish acronym), corresponding to credit lines aimed to promote the country's development. These liabilities are guaranteed by a loan portfolio up to the amount of the credit line used and include specific agreements on how these funds must be used, the financial conditions that have to be complied with and other administrative matters. In Management's opinion, the Bank has been meeting said requirements. These transactions accrued interests at rates that fluctuated between 5 and 10 percent during 2013 and 2012.

Notes to the consolidated financial statements (continued)

14. Bonds and other obligations

(a) The table below presents the components of this caption:

Issuer	Issuance	Annual Nominal interest rate	Interest Payment basis	Maturity	Authorized amount	Used amount	Outstanding balances as of September 30, 2013	Outstanding balances as of December 31, 2012
					(000)	(000)	S/.(000)	S/.(000)
<b>Negotiable notes (DPR)</b>								
IBK DPR Securitizadora (d)	First issue	Libor 3M + 3.31% / 3M + 5.56%	Quarterly	2014-2015	US\$200,000	US\$200,000	159,065	223,578
IBK DPR Securitizadora (e)	First issue	Libor 3M + 4.56%	Quarterly	2016	US\$121,200	US\$121,200	223,161	233,469
							<u>382,226</u>	<u>457,047</u>
<b>Subordinated bonds (b)</b>								
Interbank – first program	First issue (A series)	6.75%	Semiannually	2013	US\$30,000	US\$15,000	41,452	38,250
Interbank – first program	Third issue (A series)	(VAC) + 3.5%	Semiannually	2023	S/. 135,000	S/. 110,000	127,173	110,000
Interbank – first program	Second issue (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	83,460	76,500
Interbank – first program	Fifth issue (A series)	8.50%	Semiannually	2019	S/. 135,000	S/. 3,300	3,300	3,300
Interbank – first program	Sixth issue (A series)	8.16%	Semiannually	2019	US\$45,000	US\$15,110	42,036	38,531
Interbank – first program	Eighth issue (A series)	6.91%	Semiannually	2022	S/. 300,000	S/. 137,900	137,900	137,900
Interseguro – first program	First issue	8.00%	Quarterly	2016	US\$5,000	US\$5,000	14,119	12,750
							<u>449,440</u>	<u>417,231</u>
<b>Subordinated Bonds (h)</b>								
Interbank	Second issue	5.80%	Semiannually	2023	US\$300,000	S/. 150,000	149,554	-
							<u>149,554</u>	<u>-</u>
<b>Leasing Bonds (c)</b>								
Interbank	First issue (Second program)	6.45%	Semiannually	2013	S/. 136,600	S/. 136,450	-	136,450
							<u>-</u>	<u>136,450</u>
<b>Mortgage bonds</b>								
Interbank – first program	First issue (A series)	4.90%	Semiannually	2014	US\$10,000	US\$10,000	1,113	3,570
Interbank – first program	Second issue (A and B Series)	5.6355%-Libor6M+0.9pb	Semiannually	2015	US\$10,000	US\$10,000	4,173	4,590
							<u>5,286</u>	<u>8,160</u>
<b>International Issuance through Panamanian Branch</b>								
Junior Subordinated notes (f)	First issue	8.50%	Semiannually	2070	US\$200,000	US\$200,000	546,407	499,835
Senior bonds (g)	First issue	5.75%	Semiannually	2020	US\$400,000	US\$400,000	1,103,911	936,074
Senior bonds (g)	Second issue	5.75%	Semiannually	2020	US\$250,000	US\$250,000	681,661	671,729
							<u>2,331,979</u>	<u>2,107,638</u>
Interest payable							<u>79,247</u>	<u>50,547</u>
							<u>3,397,732</u>	<u>3,177,073</u>

(\*) From the outstanding balances as of September 30, 2013 and December 31, 2012, there have been adjusted, for consolidation purposes, the bonds and other obligations held by IFS and its Subsidiaries amounting S/. 272,000 and S/. 262,000, respectively.

## Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees. In June 2012, the Bank issued the Eighth Issue of the First Program of Subordinated Bonds. These bonds have maturities in June 2022 and their agreed annual interest rate is 6.91 percent. According to SBS regulations, this issuance qualifies as Tier 2 regulatory equity.
- (c) As indicated in Note 11(b), Peruvian financial entities are prohibited from pledging their properties. Properties acquired in connection with leasing operations that are funded through the issuance of leasing bonds are regarded as a guarantee of the related bonds.
- (d) In June 2008, IBK DPR Securitizadora (a special-purpose entity domiciled in Bermuda and consolidated by InterCorp) issued negotiable long-term notes for US\$200,000,000 equivalent to approximately S/.159,065,000 and S/.223,578,000 net of transaction cost and capital repayments as of September 30, 2013 and December 31, 2012, respectively. The notes were disbursed into two tranches, US\$60,000,000 and US\$140,000,000, with maturities in 2014 and 2015, respectively; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

In order to hedge the variable rate component of these transactions, the Bank has entered into two interest-rate swap agreements, with notional amounts of US\$60,000,000 and US\$140,000,000, respectively, by which it receives the 3-month Libor rate and pays an annual fixed rate of 3.70 and 3.75 percent, respectively, starting in March 2009. The swaps' payment schedules are identical to those of the loan, and the Bank has recorded these derivatives as cash-flow hedges.

- (e) In June 2009, IBK DPR Securitizadora issued long-term negotiable notes for US\$121,200,000, equivalent to approximately S/.223,161,000 and S/.233,469,000, net of transaction cost and capital repayments, as of September 30, 2013 and December 31, 2012, respectively, with maturity in 2016; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

## Notes to the consolidated financial statements (continued)

For these transactions, the Bank has entered into an interest-rate swap contract with nominal amounts of US\$121,200,000, for which it receives the 3-month Libor rate plus a margin of 4.25 percent and pays an annual fixed rate of 7.90 percent starting in September 2009. The swap schedule is exactly equal to that of the loan and the Bank has recorded this derivative as a cash-flow hedge.

- (f) In April 2010, Interbank issued junior subordinated notes denominated "Non-cumulative fixed floating rate step-up Junior Subordinated Notes due in 2070" with maturity in April 2070 and a fixed annual interest rate of 8.5 percent (effective rate, net of issuance costs, of 8.93 percent) starting in April 2020, the notes will accrue interest at a floating rate per year equal to the Libor for the three-month US dollar deposits for the related interest period plus 674 basis points, provided that the floating rate for any interest period will not be less than 10.5 percent per year, with semiannual payments. Since that date, on any interest payment date, the Bank can redeem 100 percent of the notes, without penalties. Interest payments are non-cumulative if an interest payment is not made in full or paid as set forth, due to Interbank's right to cancel interest payments, a mandatory prohibition established by the SBS, or if the SBS determines that Interbank is in non-compliance with applicable minimum regulatory capital. In such cases, Interbank will not declare, pay or distribute a dividend for the period in which the interest payments are not made. The principal payment will take place at the maturity date or when the Bank redeems the notes.

This debt, considering SBS regulations, qualifies as tier 1 in computing regulatory capital and has no collaterals.

- (g) In September 2010, the Bank issued senior bonds denominated "5.750 percent Senior Notes due 2020". These bonds will mature in October 2020 and bear a fixed annual interest rate of 5.75 percent (the effective rate, net of issuance expenses, is 5.87 percent).

In September 2012, the Bank performed a reopening of these senior bonds. The issuance price was 106.25 percent and the agreed annual interest rate is 5.75 percent (effective rate of 4.9 percent, net of issuance expenses and issuance premium).

The principal payment of both issuances will take place either at the maturity date or when the Bank redeems them.

- (h) On December 12, 2012, SBS approved the Second Program of Subordinated Bonds of the Banco Internacional del Peru S.A.A. - Interbank" up to the amount of US\$300,000,000 or its equivalent in Nuevos Soles. In January 2013, the Bank issued the Second Issue of the Second Program of Subordinated Bonds. These bonds have maturities in January 2023 and their agreed annual interest rate is 5.81 percent. According to SBS regulations, this issuance qualifies as Tier 2 regulatory equity.
- (i) International issuances are listed at the Luxemburg Stock Exchange. Likewise, local and international issuances maintain certain financial and operating covenants which, in Management's opinion, the Bank has complied with at the dates of the consolidated balance sheets.

## Notes to the consolidated financial statements (continued)

### 15. Technical reserves for premiums and claims

(a) This item consists of the following:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Technical reserves for premiums (b)	2,866,614	2,406,631
Technical reserves for claims (c)	<u>51,532</u>	<u>49,324</u>
	<u>2,918,146</u>	<u>2,455,955</u>

(b) Technical reserves for premiums disclosed by type of insurance are shown below:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Life mathematical reserves</b>		
Annuities reserves	2,653,465	2,215,304
Retirement, disability and survival pensions	117,615	116,826
Life insurance	77,282	63,182
<b>Unearned premium reserve</b>		
Compulsory traffic accident insurance (SOAT)	9,516	8,535
General insurance	<u>8,736</u>	<u>2,784</u>
	<u>2,866,614</u>	<u>2,406,631</u>

(c) Technical reserves for claims disclosed by type of insurance are shown below:

	<b>2013</b>		
	<b>Claims reported</b>	<b>IBNR (e)</b>	<b>Total</b>
	S/.(000)	S/.(000)	S/.(000)
Retirement, disability and survival pensions	37,553	14	37,567
Life insurance	6,474	349	6,823
Compulsory traffic accident insurance (SOAT)	1,981	2,906	4,887
Annuities reserves	1,352	-	1,352
Personal accidents	756	-	756
General insurance	<u>147</u>	<u>-</u>	<u>147</u>
	<u>48,263</u>	<u>3,269</u>	<u>51,532</u>
	<b>2012</b>		
	<b>Claims reported</b>	<b>IBNR (e)</b>	<b>Total</b>
	S/.(000)	S/.(000)	S/.(000)
Retirement, disability and survival pensions	37,724	14	37,738
Life insurance	4,444	280	4,724
Compulsory traffic accident insurance (SOAT)	1,626	2,898	4,524
Annuities reserves	1,478	-	1,478
Personal accidents	823	-	823
General insurance	<u>37</u>	<u>-</u>	<u>37</u>
	<u>46,132</u>	<u>3,192</u>	<u>49,324</u>



## Notes to the consolidated financial statements (continued)

- (d) In Management's opinion, these balances reflect the exposure to life and general insurance contracts as of September 30, 2013 and December 31, 2012, in accordance with SBS regulations.
- (e) As of September 30, 2013 and December 31, 2012, the incurred but not reported claims have been determined in accordance with in force regulations approved by SBS. In such sense, in Management's opinion it is adequate to properly respond to the incurred but not reported claims.

### 16. Equity

#### (a) Capital stock -

As of September 30, 2013 and December 31, 2012 the Company's capital stock is represented by 93,615,451 shares with issuance value of US\$9.72 per share. At those dates Intercorp Peru Ltd. holds 68.93 percent of the IFS's issued capital stock and 71.28 percent of the outstanding capital stock.

The General Shareholders' Meeting held on April 8, 2013 agreed to distribute US\$150,000,000 in dividends corresponding to 2012 (equivalent to approximately S/.391,935,000), these dividends were payed in May, 2013.

The General Shareholders' Meeting held on March 30, 2012 agreed to distribute US\$139,000,000 in dividends corresponding to 2011 (equivalent to approximately S/.373,632,000), which was paid in April, 2012.

#### (b) Treasury stock held by Subsidiaries-

As of September 30, 2013, the Bank and Interfondos hold 3,087,240 shares of IFS, while their cost amounted to US\$79,626,000 equivalent to S/.221,519,000 (3,115,000 shares of the Bank and Interseguro that amounted to approximately US\$80,480,000 equivalent to S/.205,225,000 as of December 31, 2012).

#### (c) Surplus capital-

Corresponds to the difference between the nominal value of the shares issued in June 2007 and September 2008, and their sell or exchange value. The capital surplus is presented net of the expenses incurred related to the issuance of shares.

#### (d) Unrealized Gains-

The table below shows the components of this caption as of September 30, 2013 and December 31, 2012:

## Notes to the consolidated financial statements (continued)

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>IFS:</b>		
Unrealized gains on available-for-sale investment	38,793	69,263
<b>Interbank:</b>		
Unrealized losses on hedging financial derivatives instruments, net of income tax	(29,176)	(20,049)
Unrealized gains (loss) on available-for-sale investment	(41,981)	33,401
<b>Interseguro:</b>		
Unrealized gains on available-for-sale investment	43,292	124,646
<b>Total</b>	<u>10,928</u>	<u>207,261</u>

(e) **Regulatory capital -**

IFS is not required to calculate a regulatory capital. As of September 30, 2013 and December 31, 2012, the shareholders' equity for legal purposes, required for the Subsidiaries of IFS dedicated to financial and insurance activities in Peru, calculated according to SBS standards, is detailed below:

**Bank's regulatory capital -**

In June 2008, by means of Legislative Decree 1028, the Banking Act was amended. The amendments established that the regulatory capital must be equal to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk.

As of September 30, 2013 and December 31, 2012, in application of Legislative Decree 1028 and its modification the weighted assets and contingent credits by credit risk and shareholders' equity for legal purposes (regulatory capital basic and supplementary) pursuant to the Banking Act in effect at those dates was determined as follows in thousands of Nuevos Soles:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Total risk weighted assets and credits (1)	24,497,640	21,086,081
Basic regulatory capital (Level 1)	2,509,179	2,168,667
Supplementary regulatory capital (Level 2)	835,126	630,789
Total regulatory capital (2)	3,344,305	2,799,456
Global regulatory capital ratio (2)/(1)	13.65%	13.28%

## Notes to the consolidated financial statements (continued)

### Additional regulatory capital -

In July, 2011, the SBS issued Resolution No. 8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equal to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk, among others. Likewise, the Bank has a term of five years starting in July 2012 to adequate its regulatory capital to the new requirements. As of September 30, 2013, the percentage of adequacy established by the SBS is 55 percent, therefore that additional regulatory capital requirement estimated by the Bank amounted to approximately S/.369,048,000 (S/.233,307,000 with 40 percent of the percentage of adequacy established by the SBS as of December 31, 2012).

In Management's opinion, the Bank is compliant with the requirements set forth in the above mentioned Resolution.

### Regulatory Capital of Interseguro -

According to Resolution SBS No. 1124-2006, amended by Resolutions SBS No. 8243-2008, No. 12687-2008 and No. 5587-2009, Interseguro required to maintain an effective equity with the purpose of maintaining a minimum equity aimed to support technical risks and other risks that may affect it. The effective equity must surpass the sum of the solvency equity, the guarantee fund and the effective equity aimed to cover credit risks.

As of September 30, 2013 and December 31, 2012 Interseguro has surplus regulatory capital as shown below:

	2013 S/.(000)	2012 S/.(000)
Regulatory net equity total	276,979	265,195
<b>Less:</b>		
Solvency equity	168,906	140,336
Guarantee fund	<u>59,117</u>	<u>49,118</u>
<b>Surplus</b>	<u>48,956</u>	<u>75,741</u>

## 17. Tax situation

- (a) Because it is incorporated in Panama, Intergroup is not subject to any Income tax. Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over dividends received from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax. In this regard, since the Company controls the entities that distribute dividends, recognizes the amount of said income tax, recorded as an expense in the period when such dividends belong. In this sense, during 2013 and 2012, the Company recorded expenses for S/.13, 459,000 and S/.10, 909,000 respectively.
- (b) IFS's Subsidiaries are subject to Peruvian tax legislation. They calculate their Income Tax on the basis of their individual financial statements. As of September 30, 2013 and December 31, 2012, the statutory Income Tax rate was 30 percent over the taxable income, after calculating the workers' profit sharing, which according to current legislation is determined using a 5 percent rate.

## Notes to the consolidated financial statements (continued)

- (c) Meanwhile, Act No. 29663, amended by Act No. 29757, established that are considered income of Peruvian source those obtained through the indirect disposal of shares or capital representative participations of legal persons domiciled in the country.

For such purposes, it must be considered that an indirect disposal arises when shares or capital representative participations of a non-domiciled legal person are disposed which, at the same time, is the proprietor – directly or through another or other legal persons – of shares or capital representative participations of one or more legal persons domiciled in the country, provided that certain conditions established by law are met. In this regard, it also defines the assumptions under which the issuer is jointly liable.

- (d) Since January 1, 2010, are regarded as non taxable the rents and gains generated by assets that are backing the technical reserves from life insurance entities constituted or established in the country, for retirement, disability and survivorship pensions from the private pension funds administrators, constituted according to law.

Likewise, are regarded as non taxable the rents and gains generated by assets which that backing the technical reserves determined by law of the annuities pensions different from those mentioned in the previous paragraph and the technical reserves that life insurance entities commercialize, even when these products include a saving or investment component

Such exemption will be maintained while the rents and gains continue to back the technical obligation previously mentioned. To proceed with the exemption, the composition of the assets which are backing the technical reserves for which the rents and gains are non taxable, shall be reported monthly to the SBS, within the terms it indicates, discriminately and with a similar level of detail required in the case of the private pension funds administrators, for the investments that are made with the resources of the managed funds.

- (e) On the other hand, it is worth noticing that Act No. 29966, published on December 18, 2012, extended until December 31, 2015, the exemption to the IGV of the interests generated by real estate securities issued through public offer by legal persons constituted or established in the country, provided that the issuance is performed under either the Securities Market Act, which was enacted by Legislative Decree No. 861, or the Investment Funds Act, enacted by Legislative Decree No. 862, as correspondingly.
- (f) For the purpose of determining the Income Tax and the Value Added Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in low or zero tax countries must be supported by documentation containing information on the valuation methods applied and the criteria used in the determination of such prices. The Tax Authority has the right to request this information. Based on analysis of the Company and its Subsidiaries operations, in the opinion of Management and its legal advisors, the application of these tax standards would not have any material consequences on the consolidated financial statements as of September 30, 2013 and December 31, 2012.

## Notes to the consolidated financial statements (continued)

- (g) The Tax Authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which a tax return was filed. The Income tax and Value Added Tax returns of Interbank corresponding to 2008 through 2012 and Interseguro corresponding to 2010, through 2012 are pending reviewing by the Tax Authority.

In April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, the Bank received Tax Assessments and Fine Imposing Resolutions related to Income Tax Returns filed in 2000, 2001, 2002, 2003, 2004, 2005 and 2006; for all of them the Bank has filed a tax claims and appeals. In March 2009, August 2010 and September 2011, the Tax Authority has issued Tax administration resolutions for the years 2000, 2001, 2002, 2003, 2004, 2005 and 2006 for which the Bank has filed appeals.

To the date of this report, the Tax Administration - SUNAT has begun the process of supervision over the period 2008 and 2010 to the Bank and Interseguro, respectively.

In the opinion of the Bank's and Interseguro's Management and their legal advisors, any possible additional tax assessment would not have any material consequences on the consolidated financial statements as of September 30, 2013 and December 31, 2012.

## Notes to the consolidated financial statements (continued)

### 18. Off-balance sheet accounts

(a) The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
<b>Indirect loans, Note 9(a), (b)</b>		
Bank letters of guaranty and stand-by letters of credit	3,517,948	3,337,705
Import and export letters of credit	240,227	377,281
Due from bank acceptances	<u>121,180</u>	<u>88,069</u>
	3,879,355	3,803,055
<b>Foreign currency forwards transactions, Note 4</b>		
<b>Held for trading</b>		
Purchase of foreign currency forwards (c)	2,367,515	2,487,224
Sale of foreign currency forwards (c)	2,763,861	2,411,876
Currency swap transaction (c)	908,545	387,593
<b>Held as hedging</b>		
Currency swap transaction (d)	<u>163,743</u>	<u>127,501</u>
	6,203,664	5,414,194
Responsibilities by credit line agreements (e)	5,777,434	5,655,673
	<u>15,860,453</u>	<u>14,872,922</u>
<b>Total contingent operations</b>		
<b>Other off-balance sheet accounts (g)</b>		
<b>Interest rates swaps</b>		
Held for trading (c)	387,309	123,357
Held as hedging (d)	<u>203,186</u>	<u>463,068</u>
	590,495	586,425
Guarantees received	19,916,587	16,144,465
Trusts (f)	1,673,500	1,462,634
Securities in custody	3,330,416	3,191,185
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	2,490,569	2,840,469
Equity trust managed by Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	4,525,560	2,731,899
Collections on behalf of third parties	435,747	354,910
Loan portfolio sold	137,392	120,645
Consumer credit card lines	7,068,572	6,798,083
Write-off loans	6,380,189	5,263,424
Available lines from abroad	1,879,164	1,281,317
Miscellaneous	<u>5,285,768</u>	<u>3,861,335</u>
	53,123,464	44,050,366
	<u>53,713,959</u>	<u>44,636,791</u>
<b>Total other off-balance sheet accounts</b>		
	<u>69,574,412</u>	<u>59,509,713</u>
<b>Total off-balance sheet accounts</b>		

## Notes to the consolidated financial statements (continued)

- (b) In the normal course of its operations, IFS and its Subsidiaries perform contingent operations (indirect loans). These transactions expose the Company to additional credit risk beyond the amounts recognized in the consolidated balance sheets.

IFS and its Subsidiaries applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations, see Note 11, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions or other assets.

Taking into account that many of the contingent operations are expected to expire without IFS and its Subsidiaries have to disburse funds, the total committed amounts do not necessarily represent future cash requirements.

- (c) As of September 30, 2013 and December 31, 2012, IFS and its Subsidiaries maintain derivative operations related to purchase and sale agreements of foreign currency transaction (“forwards”) for trading purposes. These contracts are agreements by which the future delivery of foreign currency is agreed, by which the seller agrees to deliver on a specific future date an amount of foreign currency at a pre-determined price. The risk arises from the possibility that the counterparty does not meet the agreed terms and from changes that take place in the exchange rates of the currencies at which the transactions are carried out. These contracts generally have maturities no longer than one year, are carried out only to satisfy client needs and are recorded at their estimated fair value.

- (d) As of September 30, 2013 and December 31, 2012, the Company and its Subsidiaries hold a currency swap transaction, which according to SBS approval, has been classified as a cash flow hedge for the issuance of leasing bonds; see Note 14(c). In economic terms this transaction translates the debt issued in Nuevos Soles into US Dollars. This transaction matured in March 2013.

Additionally, as of September 30, 2013 and December 31, 2012, the Company and its Subsidiaries hold three interest rates swaps hedges aimed to cover the variable rate component of certain due to banks and correspondents, see further detail in Note 14(d) and 14(e). As of September 30, 2013 and December 31, 2012, said instruments have maturities between June 2014 and June 2016.

- (e) Unused lines of credit and loans granted but not disbursed do not correspond to commitments to grant loans; and include consumer lines of credit and other consumer loans that are paid when the customer receives notice to that effect
- (f) The Bank provides custody, trust, corporate management, investment management and consulting services to third parties, in which the Bank carries out instructions on behalf of its customers and does not assume responsibility for those decisions. These assets are not included in these consolidated financial statements.
- (g) The balance of “Other off-balance sheet accounts” includes different transactions recorded mainly for control purposes. The most important balance corresponds to guarantees received and is expressed at the agreed value of guarantees as of the date of the loan agreement. This balance does not represent the fair value of guarantees held by IFS and its Subsidiaries.

## Notes to the consolidated financial statements (continued)

### 19. Financial income and expense

The table below presents the components of this caption:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Financial income</b>		
Interest and commissions on loans	1,656,464	1,549,190
Interest on due from banks and inter-bank funds	41,556	17,149
Income from interests over investments	191,687	205,965
Other financial income	21,920	18,828
	<u>1,911,627</u>	<u>1,791,132</u>
<b>Financial expenses</b>		
Interest and commissions on deposits and obligations	181,892	162,090
Interest on bonds and obligations outstanding	138,465	106,325
Interest and fees on deposits and due to banks and correspondents	108,236	96,136
Other financial expense	6,225	11,249
	<u>434,818</u>	<u>375,800</u>
<b>Total</b>	<u>1,476,809</u>	<u>1,415,332</u>

### 20. Income and expenses from financial services

The table below presents the components of this caption:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Income from financial services</b>		
Fee for miscellaneous services	149,579	156,452
Commissions on contingent operations	31,886	34,993
Credit and debit card commissions	24,585	33,260
Fee for collections of services	4,993	15,196
Income from financial consulting	18,779	17,675
Other	7,121	20,534
	<u>236,943</u>	<u>278,110</u>
<b>Expenses relating to financial services</b>		
Insurance	18,371	38,376
Insurance premium to the Funds deposits	17,642	16,733
Fees paid for transfers	14,288	9,840
Other	18,265	17,610
	<u>68,566</u>	<u>82,559</u>
<b>Total</b>	<u>68,566</u>	<u>82,559</u>



## Notes to the consolidated financial statements (continued)

### 21. Result of insurance underwriting, net

The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Assumed premiums	411,947	335,318
Adjustment of technical reserves for assumed and ceded premiums	(322,822)	(278,315)
Ceded premiums	(3,920)	(4,672)
Claims on assumed premiums	(127,799)	(112,696)
Claims on ceded premiums	<u>1,520</u>	<u>1,979</u>
<b>Gross technical result</b>	<b>(41,074)</b>	<b>(58,386)</b>
Commissions from written premiums	(10,749)	(2,907)
Other technical income	3,955	2,933
Other technical expenses	<u>(4,880)</u>	<u>(4,532)</u>
<b>Technical result, net</b>	<b><u>(52,748)</u></b>	<b><u>(62,892)</u></b>

### 22. Result by financial transactions

The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Gains on available-for-sale investment	150,622	102,424
Sale and valuation of investments, net	34,284	82,844
Ganancia por inversiones a valor razonable con cambios a resultados	1,955	(5,608)
Net gain on foreign exchange	105,095	140,325
Trading Derivatives	(6,708)	(1,933)
Participation from investments in subsidiaries and associates, net, Note 10 (b)	10,966	7,863
Others	<u>9,625</u>	<u>(8,265)</u>
<b>Total</b>	<b><u>305,839</u></b>	<b><u>317,650</u></b>

### 23. Administrative expenses

(a) The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Services received from third parties (b)	418,679	397,948
Personnel and Board of Directors expenses (c)	418,400	375,790
Taxes and contributions	<u>23,484</u>	<u>21,905</u>
<b>Total</b>	<b><u>860,563</u></b>	<b><u>795,643</u></b>

(b) The amounts recorded as "Services received from third parties" correspond mainly to transportation services, repair and maintenance services, office leases, public relations expenses, telecommunication costs, among others.

## Notes to the consolidated financial statements (continued)

(c) The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Salaries	311,250	278,758
Worker's profit sharing expense	32,466	21,578
Social security	25,951	30,461
Vacation, health care and other	25,341	21,203
Severance indemnity expenses	23,392	23,790
	<u>418,400</u>	<u>375,790</u>
<b>Total</b>	<b>418,400</b>	<b>375,790</b>

### 24. Other income, net

The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Income from services and commissions	47,193	35,685
Rental income	12,502	12,540
Income tax over dividends	(13,459)	(11,531)
Employee retirement incentive	(5,081)	(5,154)
Other, net	(13,779)	(9,249)
	<u>27,376</u>	<u>22,291</u>
<b>Total other income, net</b>	<b>27,376</b>	<b>22,291</b>

## Notes to the consolidated financial statements (continued)

### 25. Earnings per share

The table below presents the calculation of the weighted average number of shares and the earnings per share:

<b>2012</b>			
Balance as of January 1	90,523	270	90,523
Sale of treasury stock	16	258	15
Purchase of treasury stock	(172)	240	(153)
Purchase of treasury stock	(61)	172	(39)
Sale of treasury stock	100	129	48
Purchase of treasury stock	(10)	38	(1)
	<hr/>		<hr/>
<b>Balance as of September 30, 2012</b>	<b>90,396</b>		<b>90,393</b>
			<hr/>
<b>Net earnings</b>			<b>560,980</b>
			<hr/>
<b>Earnings per share in Nuevos Soles</b>			<b>6.206</b>
			<hr/>

	<b>Outstanding shares</b>	<b>Days as of the end of year</b>	<b>Weighted average number of shares</b>
	(in thousands)		(in thousands)
<b>2013</b>			
Balance as of January 1	90,500	270	90,500
Sale of treasury stock	38	245	34
Purchase of treasury stock	(10)	92	(3)
	<hr/>		<hr/>
<b>Balance as of September 30, 2013</b>	<b>90,528</b>		<b>90,531</b>
			<hr/>
<b>Net earnings</b>			<b>517,932</b>
			<hr/>
<b>Earnings per share in Nuevos Soles</b>			<b>5.721</b>
			<hr/>

## Notes to the consolidated financial statements (continued)

### 26. Transactions with related parties and affiliated companies

- (a) The table below presents the balances with related and affiliated companies as of September 30, 2013 and December 31, 2012:

	2013 S/.(000)	2012 S/.(000)
<b>Assets</b>		
Cash and due from banks	65,758	21,979
Held-to-maturity investments (real estate projects),	27,209	2,400
Loan portfolio, net	509,738	379,183
Other assets	29,966	28,426
<b>Liabilities</b>		
Deposits and obligations	370,369	505,589
Bonds and other obligations	2,118	3,055
Other liabilities	9,826	11,922
	<b>30.09.13</b>	<b>30.09.12</b>
	S/.(000)	S/.(000)
<b>Income (expense)</b>		
Interest income and rentals	22,385	16,496
Administrative expenses	(22,972)	(8,310)
Other, net	11,229	3,456
<b>Off-balance sheet accounts</b>		
Indirect loans	55,602	66,243

- (b) Shareholders, directors and officers of IFS and its Subsidiaries have been involved, either directly or indirectly, in credit transactions with IFS and Subsidiaries as permitted by Peruvian legislation, which regulates and limits certain transactions with employees, directors and officers of financial institutions. As of September 30, 2013, loans and other credits to employees and directors amounted to approximately S/.87,597,000 (S/.74,769,000 as of December 31, 2012).

In accordance with Peruvian legislation, loans to related parties must be in market conditions.

- (c) As of September 30, 2013 and December 31, 2012, IFS has invested in different domestic and foreign mutual and investment funds managed by its Subsidiaries or related parties at Intercorp Group.
- (d) In Management's opinion, transactions with related companies have been performed under normal market conditions. Taxes generated by these transactions and the taxable base used for computing them, are those customarily used in the industry and are determined according to prevailing tax standards.

## Notes to the consolidated financial statements (continued)

### 27. Risk assessment

IFS and its Subsidiaries' activities relate mainly to the use of financial instruments, including derivatives. Each Board of Directors of the main Subsidiaries - the Bank and Interseguro - is responsible of the general direction with regards to risk management. They are also responsible for the approval of the policies and strategies currently in force. The Board approves the principles for the general risk management, as well as the policies elaborated for these specific areas.

IFS and its Subsidiaries receive deposits from its customers at both fixed and floating rates and with different terms, with the aim of profiting from interest margins by investing those funds in high-quality assets. IFS and its Subsidiaries seek to increase these margins by consolidating its short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to comply with any withdrawal that may be requested.

IFS and its Subsidiaries seeks to obtain interest margins above market average, net of provisions, by lending to borrowers by means of a variety of credit products. The exposure not only comprises direct loans, but also indirect loans, such as guarantees, letters of credit or stand-by letters of credit.

IFS and its Subsidiaries also trades financial instruments outside and inside the stock exchange market, including derivative instruments, to benefit from changes in their prices in the market in the short term and from fluctuations in exchange rates and interest rates. Management establishes limits to exposure levels for positions that may be adopted in the market during both, daily operations and overnight positions. The exposure to exchange rates and to interest rates related to such operations is normally offset and controlled through the fluctuations in the net cash amounts required to settle market positions.

#### Market risk -

IFS and Subsidiaries is exposed to market risks, which is the risk that the fair value or the cash flows of a financial instrument fluctuate due to changes in market prices. Market risk arises from interest rate, exchange rates and equity products, positions all of which are exposed to general and specific market movements. Also, market risk arises from changes in the volatility level of prices such as interest rates, credit spreads, exchange rates and equity investments.

The Bank separates exposures to market risk into two groups: (i) those that arise from the value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book); and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and exchange ratios (ALM Book).

Trading portfolios include those liquid positions arising from market-making transactions where the Bank and its subsidiaries act as principal with clients or with the market. Non-trading portfolios include relatively illiquid positions, mainly deposits and loans. The risks of trading portfolios (Trading Book) and available-for-sale investments are managed through Value at Risk (VaR) historical simulation techniques; while non-trading portfolios are managed using Asset Liability Management (ALM) techniques.

The VaR method is an estimate of the maximum potential loss that might arise if current positions were to be held unchanged for one trading session, taking into account a specific significance level. The measurement is structured so that daily losses exceeding the VaR occur, on average, not more than in one out of one hundred trading sessions. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VaR calculation.

## Notes to the consolidated financial statements (continued)

The calculation of risks associated with long-term and structural positions is called Asset and Liability Management (ALM). Non-trading portfolios are exposed to different sensitivities that can generate a deterioration in the value of the assets compared to their liabilities and hence to a reduction of their net value. The sensitivities to which the portfolio is exposed are those of interest rate, exchange rate and management of re-pricing gaps.

For the measurement of interest rate risk, we established two indicators: The Profit at Risk (GeR) which measures the potential decrease in net interest income to adverse movements in interest rate (as yield) and the Net Asset Value at Risk (VPR) which measures the potential dilution of equity due to interest rate changes (economic value).

The Bank's Management also establishes individual limits for marketable securities, foreign currency exchange positions and derivative instruments. These limits include both the maximum amount of exposure and the maximum loss value that can be tolerated before demanding immediate settlement in the market (stop-loss). Compliance with these limits and the Bank's VaR are reviewed by Management on a daily basis. However, the use of this control measure does not eliminate all risks of loss beyond the limits in place in the event of movements in market prices.

### **Liquidity risk -**

The Bank is exposed to daily withdrawal of its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawdown's, guarantees and other withdrawals. The Bank does not maintain funds available in cash for all of the aforementioned needs, since experience has shown that a minimum level of reinvestment of funds upon their maturity can be predicted with a high degree of certainty. The Bank's Management establishes the limits as to the minimum amount of funds that need to be available to meet such needs and the minimum level of inter-bank loans and other types of loans that should be in place to cover unexpected withdrawals.

## Notes to the consolidated financial statements (continued)

The procedure of matching and controlling mismatches of the maturities and interest rates of assets and liabilities is essential to Management. However, it is unusual for financial institutions to be fully matched, as transacted business is often based on uncertain terms and different systems. An open position in the terms and rates could potentially increase profitability, but it also increases the risk of losses.

Maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors when assessing liquidity and exposure to changes in interest and exchange rates.

Liquidity requirements to support indirect credits (contingent loans) are significantly lower than the amount of the commitment because it is not expected that funds will be required to honor these commitments. The total amount of the commitments to provide loans does not necessarily represent the requirement of funds in the future, as the majority of these indirect credits will expire or terminate without requiring payment thereof.

Interseguro is exposed to requirements of cash, mainly for the payment of retirement pensions and insurance claims. The liquidity risk is the risk that cash may not be available in the future to pay commitments at their expiration date. Interseguro sets the limits as to the minimum amount of funds that need to be available to meet such requirements.

Interseguro controls its liquidity risk through the matching of the maturities of assets and liabilities. Therefore, the investment plan has been structured according to their expiration date, thereby having covered the risk of fund requirements destined to cover claims for incidents or other. Additionally, Interseguro investments are concentrated in high quality financial instruments and liquidity that can be realized (sold) in a very short term.

The notes to the consolidated financial statements include an analysis of the maturities of the main assets and liabilities, based on contractual maturity dates.

### **Cash flow risk and fair value of interest rate changes -**

The cash flow interest rate risk is the risk that cash flows of a financial instrument fluctuate due to changes in market interest rates. The risk of fair value interest rates is the risk that the value of a financial instrument may fluctuate due to changes in market interest rates.

IFS and Subsidiaries are exposed to the effect of fluctuations in market interest rates on its financial situation and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event of unexpected fluctuations. Management sets limits on the level of mismatch of interest rates that may be undertaken and monitors these levels periodically.

Resources for commercial funding are mainly obtained from short-term liabilities, which generally bear interest at fixed and variable rates prevailing in the market. Loans, customer deposits, and other financing instruments are subject to risks arising from interest rate fluctuations. Relevant contractual maturity characteristics and interest rates of such financial instruments are disclosed in the Notes to the consolidated financial statements.

## Notes to the consolidated financial statements (continued)

### **Exchange rate risk -**

IFS and its Subsidiaries is exposed to the effects of fluctuations in foreign currency exchange rates prevailing over its financial position and cash flows. Management of the Subsidiaries sets limits on the level of exposure by currency and in total of overnight positions and monitors these levels on a daily basis.

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are performed at free market exchange rates. As of September 30, 2013 and December 31, 2012, IFS and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4. Likewise, as indicated in Note 11, IFS has used derivative financial instruments in order to partially hedge this risk.

### **Credit risk -**

IFS and its Subsidiaries is exposed to credit risk, which is the risk that a client will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the consolidated balance sheet date. Significant changes in the economy or in a particular industry segment that represent a concentration in the portfolio of IFS and its Subsidiaries could result in losses different from those recorded at the consolidated balance sheet date. Therefore, Management of IFS and its Subsidiaries carefully manages exposure to credit risk.

The levels of credit risk undertaken are structured, by placing limits to the amount of acceptable risk related to one borrower or groups of borrowers and geographical and industry sectors. Such risks are monitored constantly and subject to frequent review. Limits in the level of credit risk by product and industry sector are approved by the Management within the framework of standards in force.

IFS and its Subsidiaries' exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed partially by obtaining corporate and personal guarantees, but there is a significant portion of consumer loans for which no such guarantees can be obtained.



## Notes to the consolidated financial statements (continued)

Financial assets that potential credit risk to the insurance business, consisting primarily of cash and cash equivalents, deposits with banks, financial investments and investments. Cash and cash equivalents and term deposits are placed in reputable financial institutions. Investments are made in instruments issued by prestigious companies in the local market and abroad, as well as securities representing Peru's foreign debt, which have an active international market. Furthermore, the customer base who are given individual life insurance and annuity, is a fragmented portfolio. On the other hand, for the life insurance sector and title insurance group, the portfolio is concentrated mainly in the Bank's customers. Finally, the lease receivables are regularly reviewed to ensure their recovery and credit risk is managed by management, in accordance with policies, procedures and controls properly established.

On the other hand, the maximum exposure to credit risk is represented by the book value of available funds, investments at fair value through profit or loss, available-for-sale investments, held-to-maturity investments, loans, net, premiums and other receivables, insurance and reinsurance receivables, bank acceptances and contingent loans. The exposure for any borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures (contingent accounts / indirect loans) and daily delivery risk limits to trading items such as forward foreign exchange contracts. Actual exposure and its comparison to established limits is monitored in a continuous manner.

### **Risk of the insurance activity -**

The risk covered by any insurance contract, under its different modalities, is the possibility of the insured event occurring and, therefore, the resulting claim having a set value. Due to the nature of the insurance contract, this risk is arbitrary and therefore unpredictable.

As far as the insurance contract portfolio is concerned, where large number and probability theory applies to setting prices and provisions, the main risk that Interseguro faces is that claims and/or payment of benefits covered by the policies will exceed the book value of the insurance liabilities. This could occur if the frequency and/or severity of claims and benefits is greater than calculated. The following factors are taken into account in evaluating insurance risks:

- Frequency and severity of claims.
- Sources of uncertainty in calculating payment of future claims.
- Mortality tables for different life insurance plans.
- Changes in market rates for investments that have a direct effect on discount rates used to calculate mathematical reserves.

Interseguro has automatic reinsurance contracts to protect itself against frequent and severe losses. The purpose of such reinsurance agreements is to prevent total net insurance losses from affecting Interseguro's equity and liquidity in any given year.

## Notes to the consolidated financial statements (continued)

Interseguro's insurance underwriting strategy has been developed to diversify the type of insurance risks accepted. Factors aggravating insurance risks include a lack of diversification of risk types and values, and geographical location. The underwriting strategy is designed to guarantee that underwriting risks are well diversified in terms of risk type and value. Underwriting limits serve to implement the selection criteria for adequate risks.

The adequacy of the reserve is a principle of the insurance management. The technical reserves of premiums and claims are estimated by Interseguro's actuaries and are reviewed by independent experts when necessary.

Management constantly monitors the trends followed by claims, which allows performing estimations of incurred but not reported claims supported in recent information. These estimations are also reviewed by independent experts.

Furthermore, Interseguro is exposed to the risk that the mortality rates associated with its clients do not reflect the real rate of mortality, which could mean that the premium calculated for the coverage offered is insufficient to cover losses. For this reason, Interseguro carries out a careful selection of risk or subscription when issuing its policies, thus enabling it to classify the degree of risk applicable to a given potential policyholder, by analyzing characteristics such as gender, whether or not the person is a smoker, health and others.

In the specific case of life annuity insurance, the risk assumed by Interseguro is that the real life expectancy of the insured population is greater than that estimated at the time the annuity is calculated, which would mean a deficit in reserves from which pensions are paid.

In relation to the risk of reinsurance, Interseguro's policy is to subscribe contracts only with companies with international classification determined by SBS regulation. Furthermore, Interseguro subscribes reinsurance contracts as part of its risk mitigation program, which can be in a proportional and non proportional basis. Most proportional reinsurance corresponds to automatic contracts which are entered to reduce the exposition of certain categories of business. Non proportional contracts are mainly the excess of loss of reinsurance intended to mitigate the net exposition of Interseguro to catastrophic losses. The limits to retention of excess of loss of reinsurance vary by type of insurance contract and geographical location.

Interseguro has also limited its exposition defining the highest amounts of claims in certain contracts and in the use in accordance with reinsurers to limit its exposition to catastrophic events.

The insurance contracts do not have terms or clauses particularly relevant that may have a significant impact or represent important uncertainties over Interseguro's cash flows.

### **Risk of real estate activity -**

Through SBS Resolution No. 2840-2012, dated May 11, 2012 "Regulations property risk management in insurance companies", requiring insurance companies to identify, measure, monitor and accurately report the level of risk facing property. Also, real estate risk is defined as the possibility of losses due to changes or volatility of market prices of the properties.

The following properties are considered as real estate risk assets:

- Properties which have real rights, whether used for investment purposes and for their own use.

## Notes to the consolidated financial statements (continued)

- Securities representing shares of real estate companies, understood as those that generate regular income from this activity or engaged in property investment.
- Certificates of participation in collective investment schemes, whether open or closed.
- Investments in real estate trusts.

Not be considered as real estate risk assets supporting those reserves insurance contracts where the investment risk is borne entirely by the contractor or insured.

The Company and its Subsidiaries has identified the following risks associated with real estate investment portfolio:

- The cost of development projects may increase if there are delays in the planning process. Interseguro receives services advisors who are experts in specific planning requirements in the project location to reduce the risks that arise in the planning process.
- A main tenant may become insolvent causing a significant loss in rental income and a reduction in the value of the property involved. To reduce this risk, Interseguro reviews the financial status of all prospective tenants and decide on the appropriate level of security required as rental deposits or guarantees.
- Exposure of the fair value of the real estate portfolio and the cash flows generated by the occupants and / or tenants.

### **28. Fair value of financial instruments**

Fair value of financial instruments is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded on an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable value or settlement value.

A significant portion of the assets and liabilities of Intergroup and Subsidiaries is comprised by short-term financial instruments, with a remaining maturity of less than one-year. Therefore, these short-term financial instruments are considered to have a fair value equivalent to their book value at the consolidated balance sheets dates, except for those that can be traded on an active market.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments as detailed below:

## Notes to the consolidated financial statements (continued)

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value in the consolidated balance sheets.
- Available-for-sale investments and investments at fair value through profit or loss are recorded at their fair value, and as a result their book value is equivalent to that amount.
- Investments held to maturity are valued at amortized cost using the methodology of the effective interest rate and market values do not differ significantly from book value.
- Most loans granted and accounts receivable granted by Intergroup and Subsidiaries are mainly short term and/or accrue interest that can be readjusted when market conditions change. As a result, their book value, net of the allowance for loans losses required by the SBS, excluding the increase in the pro-cyclical provisions as indicated by Note 9, is considered to be the best estimate of their fair value as of the date of the consolidated balance sheets.
- The fair value of deposits and obligations is similar to their book value, mainly, due to their liquid nature and interest rates, which are can be comparable to other similar liabilities in the market at the date of the consolidated balance sheets.
- Banks and correspondents generate variable interest rate terms and/or preferential rates, similar to the ones in force in the market. For liabilities that bear interest and have original maturities longer than one year, the fair value has been calculated based on discounted future cash flows, using the effective interest rate for liabilities with similar characteristics. As a result the estimated fair value does not differ significantly of its book value.
- The bonds and debentures outstanding interest at fixed and variable rates according to issue type. The fair value of these financial instruments is calculated using cash flows discounted at current rates for liabilities with similar characteristics. As a result of calculation, the estimated market value not significantly different from book value.
- As disclosed in Note 20, the Bank participates in indirect loan operations. Based on the level of fees currently charged for such operations and taking into account their maturity and interest rates together with the present creditworthiness of the counterparties, the difference between their book value and their fair value is not significant.
- Derivative transactions such as currency forwards, currency and interest rate swaps are recorded at their fair value consequently, there are not differences with their book value.

Based on the analysis above, Management of Intergroup and Subsidiaries believes that, as of September 30, 2013 and December 31, 2012, the estimated fair values of the Company's financial instruments do not differ significantly from their book values; except for held-to-maturity investments.

### **29. Additional explanation for English translation**

The accompanying consolidated financial statements are presented on the basis of accounting principles generally accepted in Peru for financial and insurance entities. Certain accounting practices applied by IFS and its Subsidiaries that comply with accounting principles generally accepted in Peru for financial and insurance entities may differ in certain aspects to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.